Uttara University

Project Report

On

“Capital adequacy management: A comparative study between Prime Bank and Mutual Trust Bank”

Supervised by

Nusrat Jahan

Assistant Professor

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Submitted by

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Batch: 49th

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Letter of Transmittal

To

Nusrat Jahan

Assistant professor

School of Business

Uttara University

Dhaka, Bangladesh

Subject: Submission of Project Report on “Capital adequacy management: A comparative study between Prime Bank and Mutual Trust Bank”.

Dear Sir,

With due respect I beg to inform you that I am a student of MBA, 49th batch &School of Business at Uttara University. I am very glad to submit you my project report prepared on **“**Capital adequacy management: A comparative study between Prime Bank and Mutual Trust Bank”.

I have given my best effort to prepare the project report with relevant information that I have collected from Articles written about capital adequacy& from other sources during my project from 1st January to 30th August 2020.

I pray and hope that the mistake of the project report may have, will be kindly excused. So I cordially request to you evaluating this project report & enough kind to receive this project report.

Sincerely yours

Mahamuda Akter

ID: 2192061028

BATCH-50th

Dept.: School of Business ,Uttara University

Student Declaration

I Mahamuda Akter, hereby declare that the presented report of project titled **"Capital adequacy management: A comparative study between Prime Bank and Mutual trust Bank"** it's effect on Banking Sector" Is uniquely prepared by me.

I also confirm that, the project report is only prepared for my academic requirement not for any other purpose. It might not be used with the opposite party of the corporation.

Mahamuda Akter

Program-MBA for BBA

ID-2192061028

BATCH-49th

Dept.: School of Business

Uttara University

Supervisors Declaration

Dear student,

I hereby declare that The Project report is titled “Capital Adequacy effect on Banking Sector” submitted to Uttara University in association with the institution’s project program is a trustworthy evidence of job done by **“Mahamuda Akter”** under my supervision.

Nusrat Jahan

Assistant professor

School of Business

Uttara University

Acknowledgement

This project report is the result of the assistance and truthful cooperation of different people. I could not possibly thank all of those amazing inhabitants who have contributed something of them directly or indirectly in preparing this project report successfully. It gives me enormous thank them for their pleasant cooperation and support.

First, I would like to express my gratitude to the almighty Allah.

Then at first, I would like to thank my course instructor Nusrat Jahan, Assistant Professor, School of Business for his important guidance, scholarly direction, and unconditional support during my tenure of the study.

In the next phase I would like to thank all the authors of the articles that I used. I have learned a lot from them.

Finally, My heartiest thanks go to all the Publisher of the articles, because of their articles I was able to finish my project Report effortlessly.

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Summery

The study titled “Capital adequacy management: A comparative study between Prime Bank and Mutual Trust Bank” The project report consists of five parts i.e. Justification of the Study & Introduction, Objectives of the study, Method, Discussion, Future Forward, References & Appendix. In the first chapter I discussed introductory part of capital adequacy management system and strength of capital adequacy those bank. Justification of the Study & Introduction part focused on capital adequacy management and justify about the study. Secondary data and information have been used in preparing this project. The second chapter represents the objective of the study is to investigate empirically the determinants of Capital adequacy management also have been discussed. The main objective of the study is to compare between adequate level of capital of Prime Bank and Mutual Trust Bank and to identify which bank is more efficient in maintaining adequate capital. In third chapter I have discussed about method of this study. According to method it contains dependent variable and independent variable which is involved to loans, asset quality, non performing asset and management efficiency. The bank provides a broad range of financial services. It customers and corporate clients. Chapter Four is discussed with description part. In order to discussion part I have elaborated many things like the study was to assess the importance of capital adequacy regulations in commercial banks of Prime Bank and Mutual Trust Bank, capital structure of Common Equity Concern Capital and regulatory adjustments of Prime Bank and Mutual Trust Bank, Paid-up Capital and General Reserves. And also showed capital management system and credit risk of those bank. All the loans and advances are grouped into four categories for the purpose of classification have been discussed. According to discussion part I have also mention which bank is more efficient in maintaining adequate capital. Mutual Trust bank is the more efficient in maintaining capital because it's capital is more reliable, dependable and can be used for long term planning and ability to mobilize enough deposits obviates the capital base from being eroded. In the chapter five I try to discuss what will the future forward study this project. After reading this report the reader will clearly understand the Capital adequacy management: A comparative study between prime bank and mutual trust bank Ltd. They will know that Capital adequacy plays a significant role in maintaining the safety and strength of both the banks the banking systems in general. The last part drew an Appendix & References.

Section-1:

INTRODUCTION

&

Justification of the Study

1.1 INTRODUCTION

Capital adequacy plays a significant role in maintaining the safety and strength of both the banks the banking systems in general; it represents the buffer or the barrier that prevents any unexpected losses that inflict the bank from affecting the depositors' money. It is well known, the banks generally operate in an environment weighted with a high degree of uncertainty of many risks.

Bank capital can be seen in two ways. Narrowly, it can be seen as the amount contributed by the owners of a bank (paid-up share capital) that gives them the right to enjoy all the future earnings of the bank. More comprehensively, it can be seen as the amount of owners' funds available to support a bank's business.

The capital adequacy of the commercial banks was brought to light in the United States in the middle of the nineteenth century by issuing an act for the minimum capital requirement for commercial banks according to the number of residents of the area the banks operating in. Interest in commercial banks gained momentum by establishing the Basel Committee on Banking Supervision in1974. The term capital adequacy reflects the capacity and efficiency of commercial banks to measure, direct and monitor the risks they encounter in order to not only to curtail and control these risks but also to take decisions consistent with the banks' strategies and policies as well as enhancing their competitive ability. The capital adequacy helps banking pricing and boosting the revenues of the commercial banks operations.

Commercial banks seek to make available a variety of measures of solvency, notably the standard of the capital adequacy which was approved by the Basel Committee in 1988 and adopted by more than 100 states. The committee played pioneering role in codifying many of these developments as a result of coordination among the banks of the industrial countries for fair competition among them. So, this renovation action was soon adopted as a standard of the banks' financial soundness and, thus, the compatibility with these conditions has become an element in determining the credit rating of these nations and their banks. Moreover, the Basel Committee issued several documents related to bank sound management principles and effective supervisory.

Banks play an important role in the economic development; they provide the necessary funding for various sectors to enable them to carry out their activities. This leads to the expansion of the national economy and increasing the size of the gross national production. The last quarter of the twentieth century witnessed many rapid and successive changes in the global economy such as the growing trend towards globalization of the economic activities, the emergence of the World Trade Organization as well as the increasing financial markets activities, and technological and information resources. In light of these changes it has become necessary that the banks should keep up with these global developments, according to various criteria, including the capital adequacy of commercial banks.

1.2 Justification of the Study:

- The studies are motivating to me identify the Capital adequacy management: A comparative study between prime bank and mutual trust bank. The research adopted the descriptive and the analytical approaches to identify the banking system. And also I have motivated how to commercial banks increase their strategic planning and management capacity to utilize any rise in capital to increase profits. In this way, the study is an attempt to investigate the relationship between bank capitalization management and performance in banking industry. The study captured their performance indicators and employed cross sectional and time series of bank data obtained from Commercial bank. Those thinks are specially motivated me.
- I am interested of my topic (Capital adequacy management: A comparative study between prime bank and mutual trust bank) because we know that capital is the main asset of any organization. According to my topic adequacy management system have been gaining and more importance since the time of their emergence, because these banks are considered the balances of economic progress of countries, the backbone and the dynamo of all the financial operations. Basically the bank preserve the money, utilize, expand, and facilitate its transactions, plans investing it. No one denies the positive role played by the banking activity in funding and investment services. Therefore, the commercial bank has to make available a capital adequacy to achieve its objectives. And

also I am the student of finance department and my topic is finance related that's way I interested that topic.

- Capital adequacy management presently helps me how to provide a concise overview of the capital adequacy regulation, importance of the regulation, and evolution of the capital adequacy regulation. Bank capital executes the significant role of preventing the bank. Capital adequacy is the least amount of capital a bank has to preserve to execute the business. If I learn capital adequacy management system are properly, in future I build up my career in banking sector. On the contrary it will the biggest achievement to me the Financial Sector in the prime bank and mutual trust bank. And also we know that the banking sectors are the growth of the economy.

Section-2:

Objectives of the study

2.1 Objective of the study:

The objective of the study is to investigate empirically the determinants of Capital adequacy management: A comparative study between prime bank and mutual trust bank. The specific objectives of the study include the following:

- To compare between adequate level of capital of Prime Bank and Mutual Trust Bank.
- To identify which bank is more efficient in maintaining adequate capital.

Section-3:

Method

3.1 METHOD

The main design is based on the appendixes of 5 relevant articles about Capital adequacy management: A comparative study between prime bank and mutual trust bank and the methods of the article. According the secondary data, I am preparing the project. For the study five Bangladeshi private sector banks are selected as sample. The secondary data from the annual reports of relevant banks for a period of 5 years (2015-2019) have been taken, which is the most recent data available on banking sector immediate after 2014 global financial crisis.

Explanation of Variables and Hypotheses Formation

➢ Dependent Variable

Capital Adequacy Ratio (CAR)

Capital adequacy ratio (CAR) is the ratio propounded by the regulatory authority in the banking sector to judge the health of the banking system and to ensure that banks can take up a reasonable level of losses arising from operational losses. Dang highlighted that the adequacy of capital is assessed on the basis of capital adequacy ratio. Capital adequacy ratio reveals the internal strength of the bank to bear up losses during the period of crisis. The higher the CAR ratio, indicates stronger the bank and the more will be the protection of investors. This ratio ensures that banks are capable to fulfill the liabilities and other risk such as operational risk, credit risk and market risk. In Bangladesh this ratio has been mandated by the Bangladesh Bank to protect the interest of depositors and to maintain the confidence of the banking sector. The banks are required to maintain the capital adequacy ratio (CAR) as stipulated by the norms of Bangladesh Bank from time to time. The banks in Bangladesh Bank should have a CAR of 10% as per latest Bangladesh Bank norms. It has also a direct effect on the profitability of banks by determining its expansion to risky but profitable ventures.

Capital Adequacy Ratio (CAR) = (Tier-I + Tier-II)/Risk Weighted Assets

Tier 1 capital is the core measure of a bank's financial strength from a regulator's point of view. It consists of the types of financial capital considered the most reliable and liquid. Examples of Tier 1 capital are Permanent shareholders' equity; perpetual non-cumulative preference shares, Disclosed reserves and Innovative capital instruments. Tier 2 capital is a measure of a bank's

financial strength with regard to the second most reliable forms of financial capital, from a regulator's point of view. It consists of Undisclosed reserves, Revaluation reserves of fixed assets and long-term holdings of equity securities, General provisions/general loan-loss reserves; Hybrid debt capital instruments (a range of instruments which combine characteristics of equity capital and debt) and subordinated debt.

➢ Independent Variable

Loans

Commercial banks accept deposits and also lend money to the people who require it for various purposes. Lending of funds to traders, businessmen and industrial enterprises is one of the important activities of commercial banks. The major part of the deposits received by banks is lent out, and a large part of their income is earned from interest on such lending. For the present study Loans and advances of the banks are determined by following ratio:

Advances to Assets Ratio:

The relationship between the total advances and total assets is represented by this ratio. This ratio is computed by dividing the total advances with total assets. This ratio represents a bank's aggressiveness in offering the loans which ultimately results in improved profitability. Higher ratio is assumed to be better as compared to lower one. This ratio is used to recognize existing relationship among total advances of bank and its total assets and it can also be calculated by dividing net investment with total assets.

H01: Loan (Advances to Assets Ratio) has no statistically significant effect on capital adequacy.

Asset Quality

The quality of assets owned by bank represents its financial strength. The primary objective to appraise the quality of assets is to determine the component of non-performing assets in total assets. This credit risk in the form of Nonperforming assets (**NPAs**) is one of the crucial factors that have an impact on the financial health of a bank and growing NPAs is a challenge to banks, which will adversely affect the performance of banks and credit risk. In the present study asset quality of the banks is determined by following ratio:

Net Non-performing Assets to Net Advances Ratio:

The assets quality of a bank is assessed by the percentage of net non-performing assets to net advances. Net NPAs are computed by deducting net of provisions on non-performing assets and interest in suspense account from gross NPAs.

H02: Asset Quality (Net NPA to Net Advances Ratio) has no statistically significant effect on capital adequacy.

Management Efficiency

Management efficiency ensures the growth and survival of any organization. Management efficiency of a bank means follow up of well defined norms, capability to plan and respond to dynamic environment and administrative ability. The capacity of the management of a bank can be measured by using certain ratios of off-site evaluation of a bank. In the present study management efficiency of the banks is determined by following ratio:

Expenditure to Income Ratio

It is the ratio between operating expenses to total income. It connotes the capacity of the bank to cover up the operating expenses from the income earned by the bank. Lower ratio is better for the bank and vice versa. This higher the operating profits to total income; means management is more efficient in terms of operational efficiency.

H03: Management Efficiency (Expenditure to Income Ratio) has no statistically significant effect on capital adequacy.

Bank	Capital Adequacy	Loans	Asset Quality	Management Efficiency
PRIME BANK	**11.25**	**58.58**	**1.68**	**92.23**
MTBL	**12.79**	**62.26**	**0.72**	**75.44**
SEBL	**11.77**	**58.76**	**0.71**	**92.64**
BANK ASIA	**18.89**	**60.38**	**0.43**	**70.75**
CITY BANK	**12.74**	**57.32**	**0.76**	**82.32**

Section-4:

Discussion

Discussion:

4.1 To compare between Adequate level of capital of Prime Bank and Mutual Trust Bank.

We know that strong capital requirements are a necessary condition for banking sector. Now I am describing the adequate level of capital of Prime Bank and Mutual Trust Bank Ltd. Capital Management of the bank is based on the objective to maintain an adequate level of capital base to support the projected business and regulatory requirement. This is done by drawing an annual planned business growth vis-à-vis capital requirement. The objective of the study was to assess the importance of capital adequacy regulations in commercial banks of Prime Bank and Mutual Trust Bank. Capital is often considered as a cushion that helps banks absorb their losses and thus avoid failure in the long run. The study found that capital adequacy level is perceived to be important in commercial banks to a great extent, where financial stability, credit risk management and reduced vulnerability to liquidity shocks were found to affect the capital requirement of the commercial banks. The great extents while balance sheet structure and deposit insurance affect the capital requirement of the commercial banks in a moderate extents. Additionally, the respondents added that increases capital requirements for counterparty credit risk arising from derivatives, repurchase agreements and securities financing activities. As such, the capital conversion buffer ensures that banks absorb losses without breaching the minimum capital requirement, and are able to carry on business even in a downturn without deleveraging.

The Prime Bank and Mutual Trust Bank regulators have introduced a number of measures to link the regulation and supervision of commercial banks to the level of risk and financial viability. The regulators have augmented bank supervision through maintaining an adequate and sufficient level of capital adequacy. It is mandatory for commercial banks to maintain an adequate level of capital funds. The major function of bank capital is to provide resources to absorb possible losses on assets which may arise in the future. Regulators and bankers should be take broader view of the costs that are relevant and associated in setting the strategy for establishing an adequate level of capital requirements. From the bank stockholders' viewpoint, the function of capital is to earn a reasonable and satisfactory rate of return. Banks are required to maintain a significant and

adequate level of capital adequacy to avoid bank failures and protect the interest of the stakeholders.

Capital Structure

The terms and conditions of the main features of all capital instruments have been segregated in terms of eligibility criteria. Tier-I Capital consists of Common Equity Tier-I (CET-I), and Additional Tier-I Capital. MTB has no additional Tier-I Capital. CET-I Capital of MTB comprises Paid-up Capital, Statutory Reserve, General Reserve, Retained Earnings, and Minority Interest in Subsidiaries. Supplementary Capital (Tier-II) comprises of General Provisions (on unclassified and Special Mention Account (SMA) loans and off-balance sheet exposure), Revaluation Reserves for Securities, Fixed Assets, and Equities, following the deductions as per Basel III guidelines, MTB's Partially Convertible Subordinate Bond, as approved by Bangladesh Bank (BB), and Bangladesh Securities and Exchange Commission (BSEC).

Financial Institutions (FIs) are required to maintain a minimum capital adequacy ratio of 10%. As per the Bangladesh Bank Prudential Guidelines on Capital Adequacy and Market Discipline for Financial Institutions, At the end of 2019, Common Equity Concern Capital and regulatory adjustments of Prime Bank and Mutual Trust Bank.

Particulars	**Mutual Trust Bank (2019)**		**Prime Bank (2019)**	
	Consolidated	**Solo**	**Consolidated**	**Solo**
Common Equity Tier-1 (Going-Concern Capital):				
Paid-up Capital	7,034.59	7,034.59	5,733.63	5,733.63
Statutory Reserves	4,691.95	4,691.95	4,096.00	4,096.00
Share Premium	1,095.30	1,095.30	-	-
General Reserves	786.78	786.78	786.78	786.78
Minority Interest	0.13	-	0.13	-
Retained Earnings	2,253.89	1,937.90	2,175.94	1,934.03
Total	**15,862.65**	**15,546.53 1**	**12,792.48**	**12,550.44**
Regulatory Adjustments:				
Goodwill and all other Intangible Assets	220.27	220.27	80.04	80.04
Deferred Tax Assets (95% of DTA as per BB Guideline)	1,104.13	1,104.13	1,134.08	1,134.08
Reciprocal Crossholdings in the	0.22	0.22	-	-

CET-1 Capital of Banking, Financial and Insurance Entities				
Total Adjustments	**1,324.61**	**1,324.61**	**1,214.12**	**1,214.12**
Total Common Equity Tier -1 (Going-Concern Capital)	**14,538.04**	**14,221.91**	**11,578.36**	**11,336.32**
Additional Tier-1 Capital	-	-	-	-
Total Tier-1 Capital	**14,538.04**	**14,221.91**	**11,578.36**	**11,336.32**
Tier-2 Capital (Gone-Concern Capital)				
General provision	4450.29	4450.29	2611.66	2611.66
Revaluation reserve on investment in securities	260	260	260.14	260.14
subordinated Debt	5200.00	5200.00	6800.00	6800.00
Total	**9910.43**	**9910.43**	**9671.80**	**9671.80**

Capital Calculation Approach of Mutual Trust Bank and Prime bank:

The assessment of capital adequacy is carried out in conjunction with the capital adequacy reporting to the Bangladesh Bank (BB): standardized approach for credit and market risk, and basic indicator approach for operational risk.

Capital of the Bank

Capital Adequacy	**Prime Bank (2019)**		**Mutual Trust Bank (2019)**	
	Consolidated	**Solo**	**Consolidated**	**Solo**
Capital Requirement for Credit Risk	10,822.48	10,694.02	20,133.50	20,225.61
Capital Requirement for Market Risk	439.98	372.99	581.83	708.73
Capital Requirement for Operational Risk	893.09	832.17	2,176.85	2,242.25
Total Capital Requirement	12,155.55	11,899.19	22,984.29	23,084.49
Total Eligible Capital	13,725.13	13,699.25	2,928.28	2,930.18
Capital to Risk Weighted Asset Ratio (CRAR)	11.29	11.51	12.74%	12.69%
Common Equity Tier-I Capital Ratio (%)	7.41	7.55	10.00%	9.96%
Total Tier-I Capital Ratio (%)	7.41	7.55	10.00%	9.96%
Tier-II Capital Ratio (%)	3.88	3.96	2.74%	2.73%
Capital Conservation Buffer	759.72	743.69	2,298.43	2,308.45
Available Capital for Pillar-II requirement	809.86	1,056.37	574.61	577.11

Capital at a reasonable level to absorb all material risks; MTB & PBL ensures compliance with the regulatory requirements, and satisfaction of external rating agencies and other stakeholders including depositors.

Capital Management

Initiative to ensure adequate capital encompasses:

- Issuing subordinated debt to raise Tier-II capital;
- Encouraging borrowers to complete external credit rating to assess counterparty credit risk status, and minimizing regulatory capital requirements;
- Improving and enhancing collateral coverage through efforts to obtain eligible collateral;
- Assessing risk profile and credit rating of new clients.

Credit Risk

MTB & PBL manages credit risk through a robust process that enables the bank to proactively manage its loan portfolio in order to minimize losses, and earn an acceptable level of return for its shareholders.

Credit Risk Management at MTB& PBL

MTB & PBL Credit Policy Manual (CPM), approved by the Board of Directors, defines organizational structure, roles and responsibilities and processes, whereby, credit risks can be identified, quantified, and managed. Credit instruction manuals address regulatory issues, and establish control points. MTB & PBL Credit approvals clearly specifies all conceivable aspects including eligibility of the borrower, requirement of papers/information/documents, borrower's stake, and all other issues related to borrowing. The credit policy encompasses, all operational issues of credit, right from selection of borrower to the ultimate recovery including transfer process of delinquent account and treatment of slow, overdue accounts, Special Mention Accounts (SMA), and classified loan accounts. MTB & PBL manages credit risk through

continuous measuring, and monitoring of risks at obligor (borrower) levels and portfolio level, and follows the Credit Risk Grading (CRG) model of Bangladesh Bank, and has deployed a credit appraisal/approval process. The CRG model captures both the quantitative and qualitative issues, related to management risk, business risk/industry risk, financial risk, security risk and relationship risk, while assessing the overall grading of borrowers. We also get credit rating of our clients by External Credit Assessment Institutions (ECAIs).

Loan Classification of MTB

All the loans and advances are grouped into four categories for the purpose of classification, which are; (i) Continuous Loan & Demand Loan (ii) Fixed Term Loan and (iii) Short-term Agricultural and Micro-Credit.

Continuous & Demand Loans are classified as:

- Sub-standard - if past due for 3 months or more, but less than 6 months;
- Doubtful - if past due for 6 months or more, but less than 9 months;
- Bad/Loss - if past due for 9 months or more.

Fixed Term Loans amounting up to 10 lacs are classified as:

- Sub-standard - if the defaulted installment is equal to or more than the amount of installment (s) due within 6 (Six) months;
- Doubtful - if the defaulted installment is equal to or more than the amount of installment (s) due within 9 (Nine) months;
- Bad/Loss - if the defaulted installment is equal to or more than the amount of installment(s) due within 12 (twelve) months.

Short-term Agricultural and Micro Credit are classified as:

- Sub-standard - if the irregular status continues after a period of 12 (twelve) months;

- Doubtful - if the irregular status continues after a period of 36 (thirty-six) months;
- Bad/Loss - if the irregular status continues after a period of 60 (sixty) months.

Loan Classification of PBL

Continuous, Demand Loan & Fixed Term Loans are classified as:

- Sub-standard - if past due for 3 months or more, but less than 6 months;
- Doubtful - if past due for 6 months or more, but less than 9 months;
- Bad/Loss - if past due for 9 months or more.

Short-term Agricultural and Micro Credit are classified as:

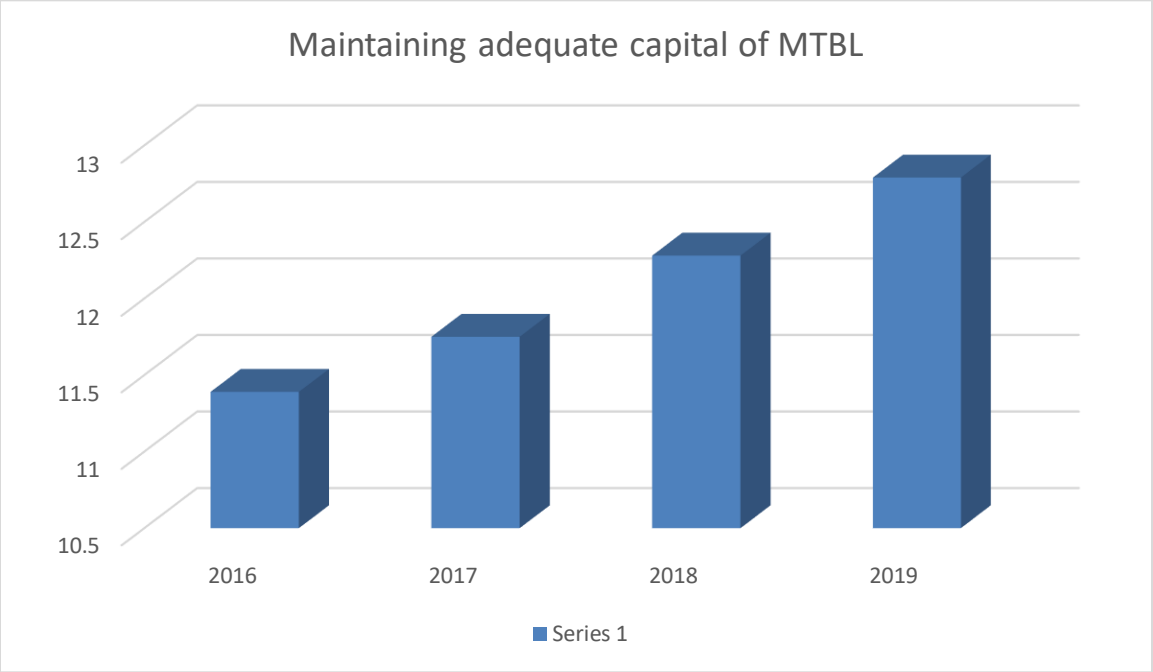
- Sub-standard - if the irregular status continues after a period of 12 (twelve) months;
- Doubtful - if the irregular status continues after a period of 36 (thirty-six) months;
- Bad/Loss - if the irregular status continues after a period of 60 (sixty) months.

4.2 To identify which bank is more efficient in maintaining adequate capital.

According to objective, justification, method and discussion we decided that Mutual trust Bank is the more efficient in maintaining adequate capital. MTB is maintaining capital adequacy and the society by helping to create new jobs and contributing to economic growth whose visible expression are taxes paid by the clients and by the bank. The bank is listed on the Dhaka Stock Exchange (DSE) and Chittagong Stock Exchange (CSE) and focuses on creating value for shareholders, e.g. by putting a constant emphasis on reinforcing the strength and stability of the Group. The current results of the Group are an effect of economic revival fueled by consumption and consistent implementation of business strategy.

The prime bank has Capital Adequacy 11.25, on the contrary Mutual Trust Bank has Capital Adequacy 12.79. Also Mutual Trust Bank (2019) has Consolidated Total amount 15,862.65 and solo amount 15,546.53 1. But we can see Prime Bank (2019) has Consolidated Total amount

12,792.48 and solo amount 12,550.44. Mutual Trust Bank Total Common Equity Concern Capital is 14,538.04 Consolidated amount and 14,221.91 solo amount. Prime Bank Total Common Equity Concern Capital is 11,578.36 Consolidated amount and 11,336.32 solo amount.



Capital is more reliable, dependable and can be used for long term planning. Ability of banks to mobilize enough deposits obviates the capital base from being eroded. Functionally, adequate capital was regarded as the amount of capital that can effectively discharge the primary capital function of preventing bank failure by absorbing losses. The results suggest that all variables have significant relationship with bank profitability, although their impacts and relation is not always uniform for domestic and foreign banks. But, the findings under the primary data analysis show that there is no significant relationship between capital adequacy and profitability in both the domestic and foreign banks in the banking sector.

NPA and specific provision for NPA:

Gross Non-Performing Assets (NPAs)	**Mutual Trust Bank (2019)**	**Prime Bank (2019)**
Non-Performing Assets (NPAs) to Outstanding Loans & advances (%)	4.36	-
Movement of Non-Performing Assets (NPAs)		
Opening balance	2,034.42	1,121.46
Additions	2,948.67	66.82
Reductions	-	-
Closing Balance	**4,983.09**	1,188.28
Movement of specific provisions for NPAs		
Opening balance	1,182.00	416.53
Provisions made during the period	868.92	**269.00**
Less: Write-off	-	**(162.66)**
Write-back of excess provisions	-	-
Recoveries of amounts previously written of	-	9.79
Closing Balance	**2,050.92**	**532.66**

Geographical distribution of exposures, broken down in significant areas by major types of credit exposure:

Particulars	**Prime Bank (2019)**	**Mutual Trust Bank (2019)**
Urban:		
Dhaka Zone	10,544.41	79,178.13
Chittagong Zone	3,169.27	22,474.59
Khulna Zone	553.89	1,177.17
Rajshahi Zone	363.11	3,908.85
Barishal Zone	12.13	209.24

Sylhet Zone	117.81	845.48
Rangpur Zone	84.16	2,269.24
Sub-Total	**14,844.79**	**110,062.7**
Rural:		
Dhaka Zone	165.09	2,103.81
Chittagong Zone	85.40	1,396.77
Khulna Zone	7.82	-
Rajshahi Zone	53.99	-
Sylhet Zone	29.36	128.91
Sub-Total	**341.66**	**3,629.49**
Grand Total (Urban + Rural)	**15,186.45**	**113,692.19**

Above the all discussion we can say that Mutual Trust Bank Ltd is the more efficient in maintaining adequate capital.

Section-5:

Future Forward

5.1 Future Forward:

After reading this report the reader will clearly understand the Capital adequacy management: A comparative study between prime bank and mutual trust bank Ltd. present situation problems and lots of other things. They will know that Capital adequacy plays a significant role in maintaining the safety and strength of both the banks the banking systems in general. They are working to understand capital adequacy Management Efficiency, Loans, Asset Quality, financial position and the impact of bank capital adequacy ratios in management and performance. They are using their proficiency to help themselves and their customers to make good decisions in today's highly volatile operating bank environment.

At a time, the experience of capital adequacy management is helping each other to contain and mitigate the impact of banking sectors on the financial system and the wider economy. Our professionals within our global network are speaking every day with financial adequate services business leaders and will continue to share our insights and resources on industry developments and responses.

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Appendices

Appendix 1

Introducing Consulted Articles

SI	Article Title	Author (s)	Journal name	Volume & Issue	Year	Publisher
1	Capital adequacy, management and performance in the Nigerian commercial bank (1986 - 2006)	Ikpefan OcheiA.	African Journal of Business Management	V-7(30)	2013	Ikpefan
2	CAPITAL ADEQUACY AND BANKS' PROFITABILITY: AN EMPIRICAL EVIDENCE FROM NIGERIA	Asikhia Olalekan & Sokefun Adeyinka	American International Journal of Contemporary Research	V-3 No. 10	2013	Center for Promoting Ideas, USA
3	Capital Adequacy of the Jordanian Banking Sector for the Period 2000-2013	Torki M. AL-FAWWAZ1 &Ghazi A. ALRGAIBAT	International Journal of Academic Research	V-5, No.1	2015	HRMARS
4	An Empirical Analysis of Capital Adequacy in the Indian Private Sector Banks	*Parvesh Kumar Aspal, * *Afroze Nazneen	American Journal of Research Communication	V-2, (11)	2014	
5	DETERMINANTS OF CAPITAL ADEQUACY OF ETHIOPIA COMMERCIAL BANKS	Yonas Mekonnen	European Scientific Journal	V-11, No.25	2015	
6	Determinants of Capital Adequacy in Commercial Banks of Jordan An Empirical Study	Dr. Khaled Abdalla Moh'd Al-Tamimi * &Mr. Samer Fakhri Obeidat	DIRASSAT Journal	V-4. N 0 2	2013	
7	Determinants of Capital Adequacy Ratio of Deposit Money Banks in Nigeria	Gabriel O Abba*, Ene Okwa &Benedict Soje and Lilian N Aikpitanyi	Journal of Accounting & Marketing	v-7	2018	
8	The Influential Factors on Capital Adequacy Ratio in Iranian Banks	Leila Bateni1 , Hamidreza Vakilifard1 & Farshid Asghari2	International Journal of Economics and Finance	Vol. 6, No. 11	2014	Canadian Center of Science and Education
9	Capital adequacy, Cost Income Ratio and the performance of Commercial Banks : The Kenyan Scenario	D.M. Mathuva	International Journal of Economics and Finance	ISSN - 1991-0886	2009	
10	Comparing Capital Adequacy Ratio of Indian Public Sector Banks in View of Basel II Norms	Suman Goel & Dr. Raj Kumar	Goel & Kumar, Apeejay - Journal of Management Sciences and Technology	ISSN - 2347-5005	2016	

Appendix 2

Complication of objective /Purposes/Questions/Hypotheses Addressed by the Articles

Article	objective /Purposes/Questions/Hypotheses
1	The objectives of this paper are: to determine to what extent bank capital adequacy ratios impact on bank performance and also to investigate the extent to which operation expenses has impacted on the return on capital.
2	**H01**. There is no significant relationship between banks capital adequacy and their profitability in domestic banks in Nigeria. **H02.** There is no significant relationship between banks capital adequacy and their profitability in foreign banks in Nigeria.
3	**1.** The relationship between capital adequacy and the Jordanian banking system liquidity. **2.** The relationship between capital adequacy and the Jordanian banking system trust risk. **3.** The relationship between capital adequacy and the Jordanian banking system capital risk.
4	**H01:** Loan (Advances to Assets Ratio) has no statistically significant effect on capital adequacy. **H02:** Asset Quality (Net NPA to Net Advances Ratio) has no statistically significant effect on capital adequacy. **H03:** Management Efficiency (Expenditure to Income Ratio) has no statistically significant effect on capital adequacy.
5	**1.** To give site how commercial banks in Ethiopia can manage with shocks to their balance sheet. **2.** To identify what bank specific factor has an impact to violate capital adequacy of the banking sector in Ethiopia.
6	**H01:** No statistically significant relationship between interest rate risk and degree of banks capital adequacy. **H02:** No statistically significant relationship between liquidity risks and banks capital adequacy. **H03:** No statistically significant relationship between credit risk and banks capital adequacy.
7	The objective of this study recommends that Nigerian deposit money banks should adopt a more pragmatic risk-management mechanism and a risk-based capital maintenance approach backed by a robust data management system.
8	**H01:** There is no significant relationship between bank's size and capital adequacy ratio. **H02:** There is no significant relationship between Loan Asset Ratio (LAR) and capital adequacy ratio. **H03:** There is no significant relationship between Equity Ratio (EQR) and capital adequacy ratio.
9	**H1A:** The core capital (leverage) ratio is positively related to bank profitability. **H1B :** The equity capital to assets ratio is positively related to bank profitability.
10	The objective of this study is to compare Capital Adequacy Ratio (CRAR) of banks before and after the implementation of Basel II norms.

Appendix 3

Complication of methods

Article	Methods
1	This article following the survey method, because it has population of the study to show the research matter**.**
2	This article is investigating focus groups method because of distribution of respondents. According to gender, age, marital status educational qualification and identify the respondents on demographic variable.
3	This article following the observation of statistically significant relationship between capital adequacy and liquidity of the Jordanian banking system.
4	This article is investigate whether bank specific factors indicating performance have an impact on the capital adequacy requirement of banks. For the study 20 Indian private sector banks are selected as sample.
5	This article is investigate the determinants of Ethiopian commercial banks capital adequacy ratio and its effect on financial position of the banks in the study. Mainly the data for this study is gathered from audited annual statement of the selected banks. The researcher considers only 8 banks on which those banks that are establish and starts operation.
6	This study is based on the descriptive analytical Methodology by following two approaches: one is dependent on significant previous studies that addressed the study topic either directly or indirectly in order to cover the theoretical aspect, in addition to using banks annual reports issued by Amman Stock Exchange for the applied part of this study, while the other approach depended on the statistical analysis
7	This article is following the secondary data analysis where it includes many data, table, result, that's are Correlation matrix, Hausman specification test, Presentation and analysis of regression results and many more things which makes to call the article secondary data analysis.
8	This article study to investigate the influential factors of Iranian banks' capital adequacy ratio. The secondary data used in this study and we aggregate the data from annual reports of the sample banks. Its includes Loan Asset Ratio(LAR),Return on Equity(ROE),Deposit Asset Ratio(DAR), Risk Asset Ratio (RAR), Return on Asset (ROA), Equity Ratio (EQR).
9	This article study on the collected data was analyzed and interpreted with the help of different financial ratios and statistical tools including percentages, averages, trend analysis, regression, correlation and the signification test using Minitab software and also survey on ROA, ROE, CCA, ECA, TCA,DE etc.
10	This article researcher on secondary data analysis, which were collected from annual reports of RBI. The data collected from this source have been used and complied with due care as per the requirement of the study.

Appendix 4

Complication of Conclusions

Article	Conclusions
1	The overall capital adequacy ratios shows that Shareholders Fund/Total Assets (SHF/TA) which measures capital adequacy of banks (risk of default) have negative impact on Return on Asset (ROA). Where there exists a viable financial infrastructure, bank management should lobby governments for the provision of an enabling environment for banks to strive. Bank returns are affected by macroeconomic variables, suggesting that macroeconomic policies that promote low inflation rate, stable exchange rate, low interest rate and output growth will boost credit expansion.
2	This study has examined how capital adequacy affects the profitability of deposit – taking banks both domestic and foreign banks in the Nigerian banking sector. It revealed that capital adequacy relates positively to profitability of banks in Nigeria. For the primary data analysis it showed a non – significant relationship but the secondary data analysis showed a significant relationship.
3	The commercial banks should increase their strategic planning and management capacity to take advantage of any rise in the capital in order to increase profits. The development of market and operational risk assessment methods in order to be included in the calculation of capital adequacy ratio of commercial banks. Conducting further research and studies pertaining to capital adequacy of the Jordanian commercial banks.
4	In the light of the objective to investigate the determinants of capital adequacy patterns in the Indian Private Sector Banks, the multiple linear regressions is applied to data and found empirical support from some suppositions available in the literature. In particular, the present study focuses on Loans, Asset Quality, Management Efficiency, Liquidity and Sensitivity as the bank's performance characteristics. The study highlighted that loans (Total Advances to Assets Ratio) has a statistically significant relationship with CAR which indicates that as loans and advances increase, the interest income and profitability will increase. It means the Indian Private Sector banks may have higher incentive to provide safeguard of their owner's capital.
5	The main objective of the study is to investigate empirically the determinants of CAR in Ethiopian banks. The study period covered the year 2004-2013 on which eight banks are considered. The study use secondary data which is gathered from the banks in the study balance sheet statement and profit and loss account. Panel data regression is used in this study and analyzes relationships between bank specific variables: SIZE, DEP, LNTA, LIQ, ROA, ROE, NIM and LEV and the dependent variable CAR.
6	The existence of a significant relationship between capital adequacy and each of the following independent variables: Liquidity Risks, Interest rate risks, RoE and RiA. Non existence of a significant relationship between capital adequacy and the following independent valuables: Capital Risk, Credit Risks and Revenue power. The existence of a negative non-significant correlation between capital adequacy and the following independent variables: capital risks, credit risks and revenue power.
7	Since the study reveals that profitability is the major and most important determinant of CAR and profitability is also a major variable in the Basel Accord capital adequacy computation model. Nigerian banks should adopt a risk-based approach in managing capital instead of the present practice of focusing on the paid-up capital and retained earnings only as there is significant relationship between CAR and banking risks. Based on the average RAR from the result of this study, CBN should take more decisive measures aimed at tightening the risk management framework of the Nigerian banking sector as this will have a positive effect on their Capital

	Adequacy Ratio and the overall safety and soundness of the banking sector.
8	The main objective of the present paper is to investigate empirically determinants of CAR in Iranian banks and its effects on financial positions of banks covered by the study. This study used secondary data and we aggregate the data from annual reports of the sample banks. Data directly taken from the private banks balance sheet statement, profit and loss statement and from notes to account.
9	This study examines the relationship between bank profitability, CARs and the CIR while prior research documents that a positive or negative relation exists between CARs and bank profits and that a negative relation exists between the CIR and bank profitability, on study has addressed the more fundamental question of whether the two bank profitability measures are related to the CARs and CIR simultaneously**.**
10	The public sector banks has been maintained "a Capital to Risk Weighted Assets Ratio (CRAR)" more than "9%" (standard ratio) as prescribed by the RBI that has been showing a considerable enrichment in this ratio. Its means the banks are maintaining sufficient capital to secure banks from assorted unexpected crisis in future as per RBI's norms.